

# **The significance of competencies in corporate competitiveness and in education**

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*Human resources (hereinafter referred to as HR) have always been playing a decisive role in economic life. The company's competitiveness, success and market position greatly depends on its human factor organising and running it from the background. Although competency-based HR practices are rather expensive, it is worth the price as the costs spent on recruitment can only be covered when the most suitable, the most competent applicant is hired. On the other hand, retraining, restructuring and stressing the role of competencies in Human Resources Management are also in the centre of attention and are becoming more and more "fashionable" today. In our opinion companies should invest more money to improve their human resources by means of trainings and education, because it pays off even if in the long run and finally results in comparative advantages. Besides, competencies can also contribute to the employment of young starters or graduates of higher education.*

*Keywords: competencies, job description, job specification, competency-based HR practices, job-related competency profile*

## 1. Introduction

In the resource system of economic organizations the human factor is getting more and more significance as the efficiency of enterprises greatly depend on the effectiveness of people operating it. Human resources have an important role in work of organisations, and the human factor itself is often the key to success (Berde-Piros, 2005).

According to Liebmann-Taralik-Zakár-Erdélyi (2004), it is not a coincidence that nowadays a great number of businesses are closing down in Hungary as there is lack of expertise necessary for the efficient running of the company.

Although from the points of market mechanisms, the main motives are factors of production and commodities, in most cases market competition is defined by the manpower or workforce of the company, its employees and competencies.

Despite this important statement, sometimes far less money is spent on the conscious development of human resources that should be necessary although from the point of view of cost-profit, investment in the human factor is always profitable and improving competencies can provide the company with competitive advantage.

In our opinion human psychology, human traits and competencies are not duly highlighted in the paradigm of Economics but undeniably they do play a decisive role in corporate efficiency and can serve as a basis for orientation in recruitment and selection when choosing the best candidates.

Our main drive and motive was to prove the hypothesis stated above by carrying out a thorough secondary research first –skimming excellent literary works and professional periodicals. As far as the primary research is concerned, we are in the process of carrying out one based on questionnaires, which covers three regions in the country, i.e. the capital city and two counties in the northern part.

We present some of the results achieved so far but the research itself is also in progress now.

As we stated, a great number of specialist works deal with HR, selection, the role of competencies and they have also drawn up competency models as some of them are referred to at the end of our paper. In Hungary we could highlight names such as Poór and Farkas who have been examining the aspects and dimensions above. Renowned companies such as SHL made up different models to illustrate the role of competencies and several IT aids and programmes also assist the HR managers in performing their tasks such as Nexon, Nexum, Oracle or SAP.

In the paper we try to stress the role competencies play in today's Human Resources Management.

In parallel, we also deal the role of competencies in education, as to our mind teaching and developing the right assortment of competencies should begin at school as soon as possible.

The results of the primary research also proved our hypothesis, i.e. competencies are relevant for the graduates to find a job and some of them can be labelled to as the key ones indispensable in the labour market for efficiency.

## **2. Material and method**

Our objective was to define the role that competencies play in today's corporate environment and education as well as to stress their growing importance in recruitment and selection. Furthermore, it was also our intention to stress the contribution they make to the competitiveness of an organisation. It is necessary to identify competencies right before hiring new labour force.

Our paper is based on analysing specialist literature, professional books, magazines, press releases and articles. After carrying out a secondary data collection thoroughly, our objective is to do further primary research into the role of competencies at work in everyday life to prove the statements made here by comparing the recruiting, selecting and interviewing techniques of companies with a different profile from an interdisciplinary point of view taking Psychology, HR, PR and Marketing into account. For the time being, we will illustrate the ranking of some of the most important competencies by the graduates when they enter the labour market after graduating from an institution of higher education.

## **3. The history and the definition of competences**

### **3.1. The history of competence examinations**

It all started in the 1960s in the USA by David McClelland to identify the competencies that can lead to exceptional performance. Traditional selective factors like qualification, intelligence and experience sometimes cannot serve as the indicators of future performance. By means of a special interview technique

called BEI (Behaviour Event Interview), McClelland identified the competencies that could differentiate those performing well from those performing poorly although qualification, experience and skills were almost on the same level.

### **3.2. The definition of competence**

It is very difficult to give an exact definition of the term. Specialist literature offers several alternatives from which we can create a detailed and the most suitable one. Under the term „competence” we mean attitudes, values, skills, knowledge, aptitude, specialist and practical knowledge, forms of behaviour that are constructive both from the point of view of the individual and society.

Competency means such a repertoire of behaviour with the help of which we are able to respond efficiently to the expected organisational requirements.

It can have a meaning in a broader sense: the motivation and need of the individual that is the engine of the appearance of individual attitudes, values and forms of behaviour at the same time.

According to Poór, competency is the compilation of skills, abilities and traits of behaviour that can enable a person to perform a designated task successfully. Competencies can differentiate the unsuitable employee from the suitable one as well as can also make a significant difference between excellent and average performance. (Poór, J. 2006)

### **3.3. The classification of competencies**

There are different classification systems of competencies (generic-specific, hard-soft etc.) Basically, we can divide competencies into three big groups:

- basic competencies: initiative, analytical way of thinking
- additional, differentiating competencies: crisis management, self control
- those that can be linked to Emotional Intelligence (EQ)

The identification of competencies required for a position is of vital importance.

Some of them can be considered as a core one while the others, the so-called secondary ones are not important in every position. (Spencer-Spencer, 1993) The first step is to understand what the position means exactly- there are various methods but the best known and widely applied one is the Hay-job assessment system based on knowledge, problem-solving ability and responsibility. Instead of the subjective evaluation of the manager, objective competency-based tests (e.g. 360-degree examinations, AC centres and the like) can be used in aptitude

tests, selection, individual development, performance evaluation and in many other cases.

#### **4. The use of competencies in Manpower planning**

According to Poór, besides the traditional job analysis, nowadays there is a tendency in corporate strategy to place special emphasis on the necessary forms of behaviour as well as defining the characteristics of competencies. (Poór, J.-Borgulya, I-né-Mohácsi, G. 1996) After defining the concrete tasks involved in a position, outlining the job description, writing about the job specification and the list of requirements as well as identifying the necessary competencies, the next step is recruitment either in-company (promotion, notice board, news bulletin) or outside the company (job centres, employment offices, recruiting agencies, headhunters), which can be a rather long, costly and time-consuming, demanding task.

Job interviews as the means of selection should always be structured (the same questions should be asked from all the candidates) aiming at finding out behavioural patterns in the past (role-play games in different situations to reveal strength, weaknesses and other personality traits).

The competitiveness of human capital means the development of the individual hierarchy of needs. The basis or primary criterion of competitiveness can be lifelong learning, further education and trainings. Adaptability to the altering conditions can only be achieved by developing human resources- reckons Farkas. (Farkas, F.-Karoliny, M-né, Poór, J. 1997) Knowledge-based society requires the more and more emphasised role of human capital in the economic processes.

Competency examinations are also suitable for meeting the training needs of the organisation. By means of training, some competencies can be developed easier than others, e.g. personalities are more difficult to alter than professional skills.

The development needs tailored to individuals are summarised in the Development Needs Matrix in Table 1.

An example for Development Needs Matrix				
Competency	Importance in the job	Evaluation		
		by superior	own	by subordinate
Strategic skills	high	high	high	high
Leadership	high	low	medium	medium
Organisation	medium	medium	medium	low
Persuasion	medium	medium	high	high

Table 1.  
Matrix of Development Needs  
Source:www.shl.hu

In the example above Strategic skills were given special importance by superiors, subordinates as well as in own ranking so it means no further training is necessary here. However, Leadership skills need to be developed regarding the low ranking of the superior and its importance in the job. Persuasion is not so important and neither is the development of Organisation although the opinion of the subordinate and the superior differ.

All in all, we can state that among the tailor-made programmes the ones in connection with motivation are the most useful as they aim at developing competencies.

## 5. Competency models, competency-based Human Resources

Competency-based HR systems are not new in the Hungarian corporate practice; rather, the problem lies in the different interpretation of the definitions and systems.

Competence is built up from different skills, the most important ones of which in today's multinational EU environment are language knowledge, communication skills, team work, complex problem solving ability and IT skills.

Companies of a different profile seem to vary about defining and surveying competencies and stress different ones. The number of competencies can also range from 9 to 49. As competency-based examinations are very costly, organisations are more willing to carry out examinations of managerial competencies.

Our hypothesis is that competency-based models are popular with such companies where results are strongly tied to performance and individual performance is adequately compensated.

## **6. The role of competencies in education and in the labour market**

Nowadays employers can choose between lots of graduates and pick up the most suitable ones so the situation typical of the 1980's according to which the graduates can choose between the positions does not hold true any more.

A serious problem nowadays is that higher education needs some time to react to the change in the job market needs so by the time the students get a degree, it can be outdated. The consequences are also grave: several thousands of graduates can stay jobless.

How can they be competitive in the job market? How can they strengthen their positions and get a well-paid job?

The key to answer the questions above can lie in the word competency as well as experience and skills besides the necessary professional qualification.

As we stated above, companies decide on hiring new labour force on the basis of experience, qualification, personal features-although one of the most important prerequisites of selection should be competence.

Figure 1, 2, 3 below reflects the data of primary research based on questionnaires and carried out in two counties: Heves and Borsod-Abaúj-Zemplén as well as in the capital city, Budapest to ask the graduates about the skills they regard important nowadays.

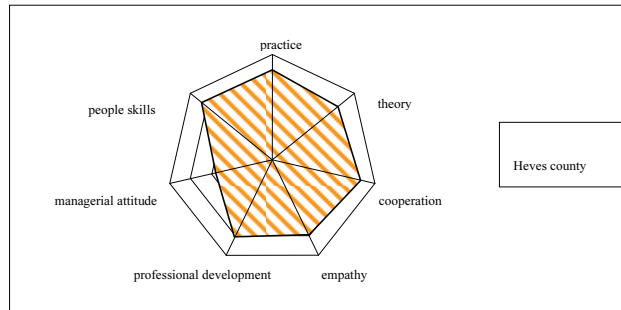


Figure 1.  
The importance of skills in Heves county  
Source: Marselek-Varga-Ficzeréné-Tóth

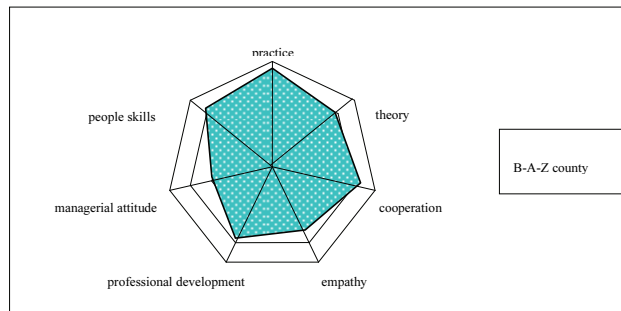


Figure 2.  
The importance of skills in B-A-Z county  
Source: Marselek-Varga-Ficzeréné-Tóth

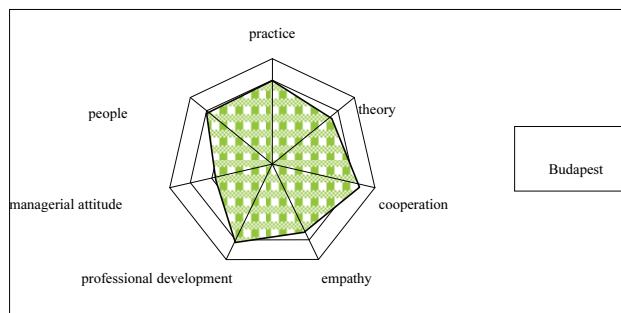


Figure 3.  
The importance of skills  
Source: Marselek-Varga-Ficzeréné-Tóth



In Heves county dealing with people (people skills), cooperation, empathy and theoretical knowledge are highlighted among the competencies.

In Borsod-Abaúj-Zemplén county practical knowledge, cooperation and managerial attitudes are stressed. As far as Budapest is concerned, the ranking of all skills are below the order of importance of the other two counties.

Figure 4, 5, 6 is a more detailed one containing not only the skills but also the knowledge regarded to be an essential aspect of competitiveness.

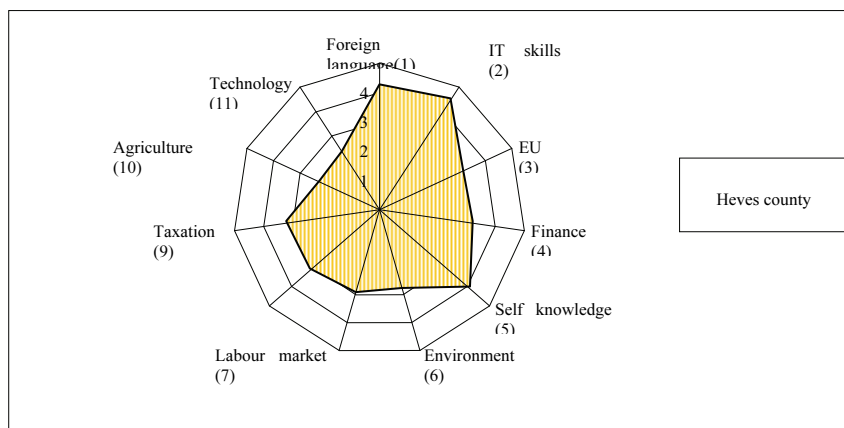


Figure 4.  
The importance of knowledge and skills in Heves county  
Source: Marselek-Varga-Ficzeréné-Tóth

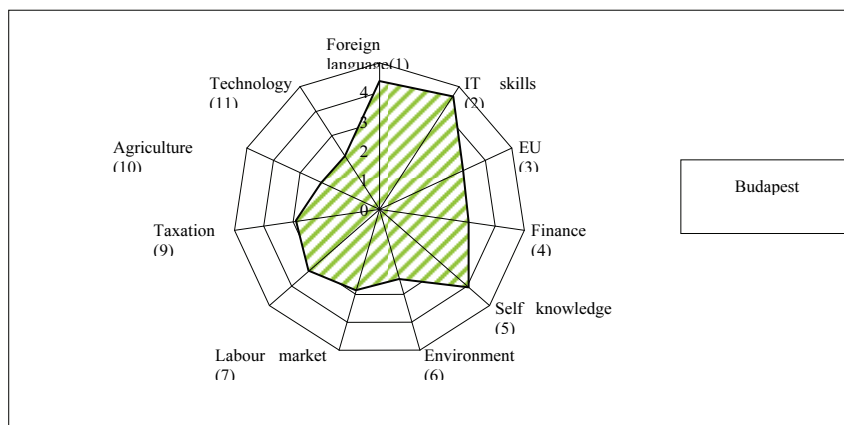


Figure 5.  
The importance of knowledge and skills in Budapest

Source: Marselek-Varga-Ficzeréné-Tóth

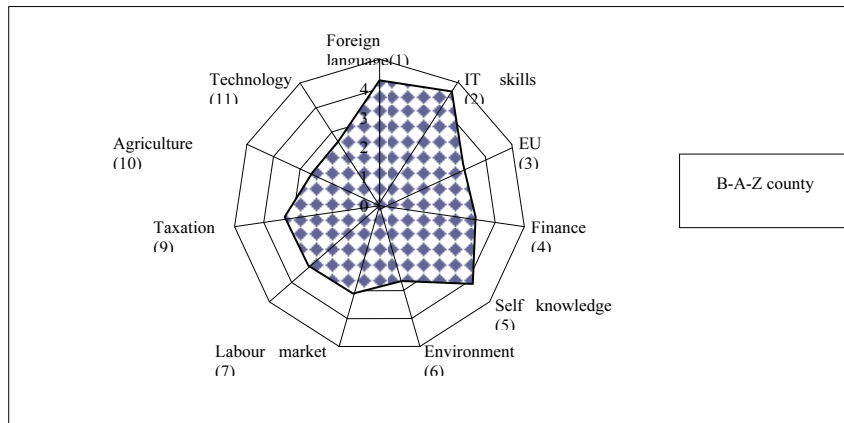


Figure 6.  
The importance of knowledge and skills in B-A-Z county  
Source: Marselek-Varga-Ficzeréné-Tóth

In the specialist literature several authors argue for IT and language skills such as Felső-Farkas, Szedlacsek (2008) and Selmeczy (2007). The findings of our primary research can only support their views.

One of the most important breaking points can lie in education in the form of training, further training and utilisation of human resources – a process during which essential competencies must be acquired.

Companies decide on hiring new labour force on the basis of experience, qualification, personal features-although one of the most important prerequisites of selection should be competence as the performance of employees with the right mixture of desirable qualities and features can surpass those performing on an average level even by 20-40%.

In the case of companies there is a great demand for objective, relevant and quick HR consultancy. Standardised competency tests are easy to employ and there is a valid competency model to support them. Moreover, their results are clear and understandable. When applied together with other relevant information (e.g. performance evaluation, professional qualification, job specification, expected personality features etc.), they can contribute to the justification of decisions on selection and layoff.

However, further research must be made to create a competency model based on experience.

## Conclusions

To sum it up, we can conclude that besides qualification, several competencies and skills are vital to manage in business life and to get a well-paid position in the labour market. As corporate competitiveness greatly depends on the human factor directing processes either in the background or the foreground, companies should invest more money in the development, education and improvement of human resources because, even if in the long run, it is worth the price and finally results in comparative advantages. Besides, competencies can also contribute to the employment of young starters or graduates of higher education.

Finally, let us emphasize that the theory and the means of a competency-based HR management and the teaching and acquisition of vital competencies in education have made the job of the Personnel Department much easier in the past decades but there are still a lot of things to be done to implement the theory into practice effectively and at a high standard.

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